

# Governor's K-12 Public School Funding Study Advisory Council

## Report and Recommendations

December 31, 2001

## ***INTRODUCTION***

On May 5, 2001, Governor Martz signed House Bill 625, which requires that the Governor and the Superintendent of Public Instruction conduct a study of "K-12 public school funding and related issues". The Governor subsequently signed an Executive Order establishing the "K-12 Public School Funding Study Advisory Council" for the purpose of assisting her office in conducting the study called for by HB 625. This report outlines the results of the study activities undertaken by the Council and the recommendations of the Council based on those activities.

## ***HOUSE BILL 625***

House Bill 625 outlines twelve (12) discrete areas where the study contemplated by the legislation is required to "analyze" or "determine" various matters. The Governor, after consultation with the State Superintendent, is then required to prepare and submit a preliminary report to the Local Government and Education Interim Committee on the "findings and recommendations of the study".

The Interim Committee is then tasked with holding hearings and taking public comments on the preliminary report prepared and submitted by the Governor. By August 1, 2002, the Interim Committee is required to provide a summary of the hearings and its recommendations for changes to the preliminary report for the Governor's consideration. The Interim Committee may also make any other recommendations on school funding that the Committee considers appropriate and may prepare legislation for consideration during the 2003 session.

Upon receipt of the summary and recommendations from the Interim Committee, the Governor is required to issue a final report. If appropriate, she may also prepare legislation for consideration during the 2003 session.

## ***THE COUNCIL AND ITS PROCESS***

The Council is composed of representatives from the Governor's Office, the State Superintendent's Office and the Board of Public Education, as well as other representatives of the education and taxpayer community:

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At its first meeting, the Council set out to develop an organizational framework for addressing the discrete subsections outlined in HB 625. The Council ultimately attempted to place those thirteen subsections into three (3) broad conceptual categories:

- "units of funding"
- "tax equity"; and
- "governance"

While the Council recognized that there would be areas of "overlap" for some, if not most, of the specific HB 625 provisions, it has attempted to use that three-prong organizational framework as much as possible.

The Council conducted five (5) all-day meetings in Helena between July and December of 2001, with two additional telephone conferences in December to finalize this study report. In general terms, each meeting involved a review of prior meetings' discussions, actions, directions, etc., presentations of information from various sources, opportunities for interested parties to address the Council and concluding discussions between Council members regarding direction and decisions. The Council also received written comments submitted by interested members of the public. Agendas and minutes were prepared for each of the meetings and can be accessed through either the Governor's Office or the website at [http://www2.state.mt.us/budget/Ed\\_Committee/](http://www2.state.mt.us/budget/Ed_Committee/).

As part of its study process, the Council solicited reports and information from staff at the Office of Public Instruction (OPI), the Governor's Office of Budget Program and Planning (OBPP), the Department of Revenue (DOR), the Legislative Fiscal Division (LFD) and the Legislative Audit Division (LAD). The Council is extremely grateful for the efforts of all of those staff members in assisting and supporting its study activities. As with meeting agendas and minutes, the staff reports are also available at the above-referenced website.

In addition to the staff reports, the Council (in conjunction with the Interim Committee) had the opportunity to hear formal presentations from two experts in the realm of school finance, John Augenblick and Michael Griffith of the Education Commission of the States (ECS). Members of the Council also had the opportunity to informally discuss school finance matters with yet another expert, Richard Rothstein. Both opportunities were invaluable to the Council in terms of hearing from experts with specific regard to some of the issues facing Montana's system.

## ***EXECUTIVE SUMMARY***

### ***COUNCIL RECOMMENDATIONS***

- Create a countywide levy to fund the property tax portion of the BASE budgets of all school districts in a county.
- Expand county retirement levy to fund district health insurance costs.
- Use a weighted GTB calculation for both the countywide BASE budget levy and the county retirement/insurance levy.
- Adopt the transportation funding structure proposed in HB 163 from the 2001 legislative session.
- Calculate the average number belonging (ANB) for a district with declining enrollment by using average enrollment over a 3-year period.
- Provide an annual inflator tied to the Consumer Price Index for the basic entitlement, per-ANB entitlement, and special education funding.
- Use the HB 124 block grant for debt service to expand school facility payments to all low-wealth school districts that have outstanding general obligation bonds and to increase the school facility payment.
- Allow school trustees to allocate the remaining balance of the district's HB 124 block grants to any budgeted fund of the district.

### ***AREAS FOR FURTHER STUDY***

- Further pursue concept of comprehensive study of the adequacy of school funding in Montana.
- Further explore concept of creating single Capital Projects Fund to serve purposes of existing funds for bus depreciation, building, building reserve, technology acquisition and lease or rental agreements.
- Further pursue recommendations of Governor Racicot's Task Force on Teacher Shortages/Teacher Salaries

## ***DETAILS -- COUNCIL RECOMMENDATIONS***

### **1) Create a countywide levy to fund the property tax portion of the BASE budgets of all school districts in a county**

The Council recommends that the BASE budgets for all school districts in a county be funded with a countywide BASE budget levy. This levy would be applied against the taxable valuation of the county and would replace the BASE budget levies of individual school districts. Guaranteed tax base aid would subsidize the countywide levy in low-wealth counties. District non-levy revenue from oil, gas and coal production and the district general fund portion of the HB 124 block grants would be used to reduce the county BASE budget levy. All other non-levy revenues, including fund balance reappropriated, would be used to reduce the district's over-BASE levy.

The Council understands that the greatest level of equalization would be achieved if the district general fund portion of the House Bill 124 block grants were rolled into the GTB formula and distribution. However, the Council recommends that the HB 124 block grants for the district general fund be applied to reduce the countywide BASE budget levy. It is important to maintain the escalator (.76%) that is built into the HB 124 block grants.

### **2) Expand county retirement levy to fund district health insurance costs**

The Council recommends that the county levy for retirement be expanded to fund the cost of district health insurance. In order to make this proposal revenue neutral for the state, the statewide guarantee level would be adjusted downward. The requirements for the elementary and high school programs will be combined into one permissive levy for the county.

The Council recommends that the legislature pursue the establishment of a state insurance pool for school district employees to reduce the risk and costs associated with health insurance coverage. Until the state insurance pool is established, the council recommends that the legislature limit the amount that can be budgeted in the countywide fund for an employee to the rate established in 2-18-703, MCA for state employees. These rates are set at \$325/month for calendar 2002 and \$366/month for calendar 2003. A district may at its discretion supplement the cost of health insurance premiums above the amount budgeted in the countywide fund.

The impact on local property taxpayers will vary depending on whether and how much districts increase their overall spending levels in response to moving health insurance costs out of the district general fund and into the county levy.

### **3) Use a weighted GTB calculation for both the countywide BASE budget levy and for the county retirement/insurance levy**

The Council recommends the use of one measure for determining a county's eligibility for guaranteed tax base aid for any of the GTB subsidized county levies. The analysis presented to the Council showed that the weighted GTB formula does a better job of narrowing the disequalization in county levies than the unweighted formula. A weighted GTB formula guarantees a higher level of property tax revenue per student in a small school district than in a large one

### **4) Adopt the transportation funding structure proposed in HB 163 from the 2001 legislative session**

The Council recommends that state and county transportation reimbursements be provided to school districts based on the rated capacity of the school bus and the bus miles traveled on routes approved by the county transportation committee. The Council recommends the elimination of the statutory requirement for a bus ridership count on high school buses. Under this proposal, buses of similar sizes will be eligible for the same reimbursement per bus-mile traveled regardless of the number of riders.

This proposal was contained in HB 163 (L. 2001), which is found in *Appendix B*. It has an estimated price tag of \$3.4 million per year, split between the state and county. The Council recommends that the HB 124 block grants to the district and county transportation funds be redistributed in the form of increased state transportation reimbursements. In net, this proposal would result in shifts in property tax burdens among taxpayers, but would not increase the overall level of revenues or expenditures for pupil transportation.

### **5) Calculate the average number belonging (ANB) for a district with declining enrollment by using average enrollment over a 3-year period**

The Council recommends that, with one exception, the average number belonging (ANB) for a school district be calculated by averaging the fall and spring enrollment counts for a district over a 3-year period. An exception is made for a district [specifically, a budget unit as described in 20-9-311(8)] that experiences growing enrollment. For these districts, the enrollment for the most recent year (i.e. the year prior to the current budget year) would be used for calculating ANB.

The Council also considered using the 3-year average for all districts regardless of the direction of enrollment growth. The Council recognizes that if averaging is applied to districts with growing enrollment, some kind of statutory protection is needed for districts that experience a sharp increase in enrollment.

If the concept of using a 3-year enrollment average for ANB purposes is adopted, it may be feasible to eliminate the “soft caps” established in 20-9-308 (3)(a)(i) without causing harm to districts. The Council recommends further analysis of the impact on school districts if the soft caps were eliminated in conjunction with the adoption of a 3-year averaging of enrollment for ANB purposes.

**6) Provide an annual inflator tied to the Consumer Price Index for the basic entitlement, per-ANB entitlement, and special education funding**

The Council recommends that the Present Law Budget that is presented to the Legislature for K-12 BASE Aid include an annual inflator that is tied to the Consumer Price Index. The Present Law Budget would thereby acknowledge both shifts in enrollment and the impact of inflation on the cost of educational services.

**7) Use the HB 124 block grant for debt service to expand school facility payments to all low-wealth school districts that have outstanding general obligation bonds and to increase the school facility payment**

The Council recommends that the funds that are presently allocated for HB 124 block grants to the debt service fund be redirected into school facility payments. Under current law, only low-wealth districts that sold general obligation bonds after July 1, 1991 are eligible for school facility payments. The Council proposes that all low-wealth school districts with outstanding general obligation debt be eligible for school facility payments. The remainder of the HB 124 block grant for debt service would be used to increase the percentage used to calculate the statewide mill value as defined in 20-9-366, MCA.

**8) Allow school trustees to allocate the remaining balance of a district’s HB 124 block grants to any budgeted fund of the district**

For the HB 124 block grants that are not affected by other recommendations contained in this report, the Council recommends that school districts receive an unrestricted block grant. The district trustees would determine where to allocate these non-levy revenues among the budgeted funds of the district.



## **AREAS FOR FURTHER STUDY**

### **Adequacy of School Funding**

The Council had a number of discussions regarding the adequacy of funding for Montana's K-12 public schools. These discussions addressed the overall level of funding, the state's share of the funding, local tax burdens, special education funding, the allocation of funding among various size school districts and among elementary, middle school and high school programs, and concerns about recruiting and retaining teachers. Within the time and resources allocated for the council's work, the Council was unable to address these issues in a comprehensive manner. The Council believes, however, that those issues warrant further extensive study in a manner that involves the broadest range of stakeholders possible and a pooling of resources from as many sources as possible.

### **Combine the funds for bus depreciation, building, building reserve, technology acquisition, and lease or rental agreements into a Capital Projects fund.**

The Council considered a recommendation, from the Fund Structure working group formed by the Council, that a single Capital Projects Fund be created to serve the purposes of the existing funds for bus depreciation, building, building reserve, technology acquisition, and lease or rental agreements. The working group recommended that the capital projects fund be a non-budgeted fund, however mill levies would be limited based on voter approval and percentages of asset costs. Separate accounting for various projects would be accomplished using project reporter codes. The Council believes that the recommendation has merit. Further study is needed to establish the appropriate revenue or expenditure controls for the fund. The Fund Structure Working Group's report is found in *Appendix A*.

### **Teacher Shortage/ Teacher Salaries**

The Council discussed concerns related to current and projected teacher shortages in Montana. The Council acknowledges that a number of the factors causing these shortages are tied to funding. Low salaries in Montana, coupled with aggressive recruitment efforts of other states that offer higher salaries and benefits, have encouraged a majority of the graduates of Montana's teacher education programs to leave the state for employment. In 2000, Governor Racicot's Task Force on Teacher Shortages/Teacher Salaries prepared a set of recommendations for recruiting and retaining qualified teachers. The Council believes that these recommendations have merit and has included them in *Appendix C* of this report.

## ***ANTICIPATED COSTS TO STATE, LOCAL AND DISTRICT TAXPAYERS***

The total costs of the Council's recommendations have not been fully developed at this time. At this point, however, it is anticipated that annual costs would include the following:

- 3-year averaging is anticipated to cost between \$8 and \$14 million in state-only expense. This increased state cost could take the form of new spending for districts or reductions in local above-BASE or soft-cap levies.
- Adding a health insurance component to the countywide levy would add up to \$88 million to that county levy. Again, this increase in the county levy could take the form of new spending for districts or reductions in district above-BASE levies.
- CPI increases to the entitlements and special education would cost approximately \$14 million per year in state-only expense. This would be matched by local GTB expense for the BASE budget
- The anticipated state cost savings resulting from declining enrollment measured from FY 2003 is anticipated to be \$7.2 million in FY 2004 and \$14.9 million in FY 2005. This is approximately half the amount required to meet a 3% CPI cost adjustment.

Further work is being conducted to better identify and define the anticipated costs and who will bear those costs. That information will be completed and provided to the Interim Committee on or before February 1, 2002.

## ***COUNCIL STUDY ACTIVITIES AND CONCLUSIONS***

### ***A. UNITS OF FUNDING***

#### ***(1) HB 625 Sections***

Again, recognizing the potential for "overlap", the Council generally agreed that the following HB 625 study subjects fit best under the "units of funding" category:

- (a) analyzing the factors currently in law that are used to compute budget authority for schools to determine if additional factors or changes in those factors are necessary to equitably provide budget authority to public schools;
- (b) determining the appropriate allocation of funding to adequately fund elementary, middle school, seventh and eighth grade and high school programs;
- (e) determining the adequacy and equity of the current statutory authority for public schools to access the funds necessary to

provide facilities for school districts and state support for school facility costs;

- (f) determining the adequacy and equity of current funding for pupil transportation;
- (h) analyzing the current allocation of state funds to public schools to determine its equity;
- (m) determining if the existence of 25 budgeted and non-budgeted funds unreasonably restricts local decision makers

## **(2) Council Activity**

In terms of these "unit of funding" areas, the Council engaged in the following analysis, discussion and decision-making activities:

- Health Insurance The Council received testimony from Tom Bilodeau, MEA-MFT on the impacts of rising health care premiums on school district budgets and employees. The testimony indicated that while Montana school employer contributions for health insurance premiums have grown markedly over the past ten years, the contributions have not matched the rate of growth in actual premiums. As a result, the trend has been:

- fewer "covered" benefits provided by group health insurance plans;
- a growing trend toward employee payment of premium costs associated with coverage of dependents; and
- employees bearing an increased share of medical costs through increases in deductible and out-of-pocket limits

To prevent the cost of health insurance from further draining district resources away from educational services, the Council recommends that the cost of health insurance be pulled out from under the school district general fund budget caps and rolled into the countywide levy for retirement.

- Fund Structure The Council formed a "working group" consisting of twelve school finance professionals at both the state and school district level. The "charge" to the working group was to review the current fund structure and suggest improvements to that structure that would involve simplification and more flexibility, while maintaining accountability from both an accounting and taxpayer standpoint. The fund structure working group presented its report to the council at its November 1 meeting. The report recommends consolidation of numerous funds into a General Operating Fund, a Capital Projects Fund, a State/Private Programs fund, a Federal Programs Fund, and a Community Education Fund. The report also recommends amending the statutory deadline for submitting budgets to the county to require submission of the budget by

August 20th, instead of "within 5 days" of adoption. The 8-page report of the working group is included in *Appendix A*.

- Transportation Funding – Based on information presented by Jim Standaert of the Legislative Fiscal Division, the Council concluded that the state's transportation funding formula and reporting requirements are unnecessarily complex and burdensome for school districts, especially given that the state share of transportation funding represents only one-third of the total expenditures for pupil transportation. The council reviewed HB 163, which was proposed by the Office of Public Instruction in the 2001 legislative session, and concluded that the proposal would simplify the funding method. Testimony from individuals who followed HB 163 during the 2001 session indicated that the legislation was unsuccessful because of its \$3.4 million cost to the state and counties. The council recommends that the HB 124 block grants be redirected to pay for the projected increases in the state and county share's of transportation costs.

- School Facilities -- It was the consensus of the Council that, while the adequacy and equity of school facilities may be an area worthy of further study and consideration, it was not a high priority for the Council given the significant number of issues in HB 625 and the limited time to address them. The council does recommend that the debt service portion of the HB 124 block grants be used to expand facility payments to all low-wealth school districts that have outstanding general obligation bonds and to increase the percentage used to calculate the statewide mill value as defined in 20-9-366, MCA. The effect of increasing the percentage would be to redistribute revenues from high-wealth school districts to low-wealth school districts.

- Funding Issues (General) -- These are the areas represented by subsections (a), (b) and (h) of HB 625 -- the general and broad issues concerning budget authority, allocation, adequacy and equity of school funding in general.

The specific recommendations that came out of these discussions are the averaging of enrollment for ANB purposes, the inclusion of health insurance costs in the permissive county retirement levy, and the use of an annual inflator tied to the Consumer Price Index (CPI).

In addition, the Council spent a great deal of time and effort in attempting to focus on adequacy and equity issues to develop potential solutions. To do so, the Council reviewed and discussed a large amount of information relating to issues of declining enrollment, allocation of funding between fixed and variable components (i.e., the entitlements); allocation of funding between middle school and elementary schools; allocation of funding between large and small schools; and a host of other issues.

Expert testimony from John Augenblick indicated that spread of \$1,275 between elementary and high school funding rates in Montana is among the highest in the nation. Testimony from Dr. Bruce Messinger of the Helena Public Schools showed that the higher level of funding provided to the elementary district for 7<sup>th</sup> and 8<sup>th</sup> grade students serves to subsidize the cost of the K-6 program. Data gathered by the Office of Public Instruction from other large elementary school districts demonstrates that the same is true in other large districts. The Council recommends that any adequacy study look at the actual costs associated with delivering K-5, middle school and high school programs.

The Council reviewed a "regression analysis" [October 4] similar to the one that formed a substantial part of the basis for HB 667. While it was the consensus of the Council that the regression demonstrated little that was unexpected, the regression arguably suggested that the current formula overstates the decreased costs associated with additional students. The Council discussed the possibility of reducing or eliminating the decrements<sup>1</sup> in the current formula. However, no recommendations are being made in that regard.

The Council also considered the possibility of a "\$5000 per FTE" payment to school districts. The cost of the "\$5000 per FTE" proposal is estimated at \$60 million annually. The Council is not recommending this proposal.

### **(3) Reports and References**

[Structure of School Funds Working Group Report](#),  
[Graphic of Funding Structure](#), Fund Structure Working Group

[Simplification of K-12 Transportation](#), Jim Standaert, Legislative Fiscal Division

[Options for Averaging ANB](#), Amy Carlson, Office of Budget and Program Planning

[Student Staff Ratios](#)

[Data Supplement to Report 6](#), Madalyn Quinlan, Office of Public Instruction

[Other States Funding Structures](#)

[Spreadsheet Supplement to Report 5](#), Mark Bruno, Office of Budget and Program Planning

[Analysis of Proposal to Fund \\$5,000 per Certified FTE](#), Amy Carlson, Office of Budget and Program Planning

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<sup>1</sup> The "decrement" is a decrease in the "per-ANB entitlement" for each additional student. In the current formula, a district's general fund budget authority per student decreases by \$.20 for each additional elementary student up to 1000 students. A district's general fund budget authority per student decreases by \$.50 for each additional high school student up to 800 students

[Elementary and Middle School Comparison of Costs from Helena](#) , Dr. Bruce Messinger, Helena Public Schools

[Regression Analysis of Expenditures](#), Jim Standaert, Legislative Fiscal Division

[Regional and Historical Perspectives on State Funding](#), Curt Nichols, Office of Budget and Program Planning

## **B. TAX EQUITY**

### **(1) HB 625 / HB 124 Sections**

Again, recognizing that several areas under both the "units of funding" category above and the "governance" category below may overlap with the "tax equity" area<sup>2</sup>, the Council generally focused its "tax equity" inquiry in two separate areas. First, subsection (g) of HB 625 requires that the study include:

- (g) determining if appropriate disparity exists in the current local tax effort necessary to fund school districts.

Second, HB 124 also imposed its own separate requirement on the Council's process:

**Section 252. Coordination with school funding study.** If an interim study of school funding is conducted during the interim commencing July 1, 2001, the study must include recommendations for retaining or repealing the block grants provided for in [sections 244 through 246].

With both of those provisions in mind, the Council engaged in an extensive inquiry concerning both local tax effort and the HB 124 block grants.

### **(2) Council Activity**

In undertaking that inquiry, the Council reviewed and considered a substantial amount of information that was prepared and presented by the Department of Revenue, LFD, OPI and OBPP. More specifically, the Council looked at the following issues:

- the local tax effort required to fund schools [July 31];
- the effects on local school levies of grouping school districts by county or by high school district [Sept 4];
- the possibility of funding district BASE budgets with a uniform statewide mill levy [Oct 4];

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<sup>2</sup> Specifically, the Council felt that issues of consolidation [sub. (d)], access to school facility costs [sub. (e)], pupil transportation [sub. (f)] and allocation of state funds [sub. (h)] all had potential "tax equity" implications.

- the effects of equalizing tax effort at the county level *[Nov 1 and 30]*
- the possibility of GTB funding for over-BASE budgets *[Oct 4]*;
- the background and history of the HB 124 block grants to school districts *[July 31/October 4]*;
- the tax equity effects of distributing the revenues currently embodied in the HB 124 block grants in a different fashion, both in terms of the general fund *[Oct 4]* and non-general fund *[Nov 1]* components;

Based on the information it reviewed and its subsequent discussions, the Council concluded that improvements could be made in terms of taxpayer equity and that modifications could be recommended to the current HB 124 block grant structure.

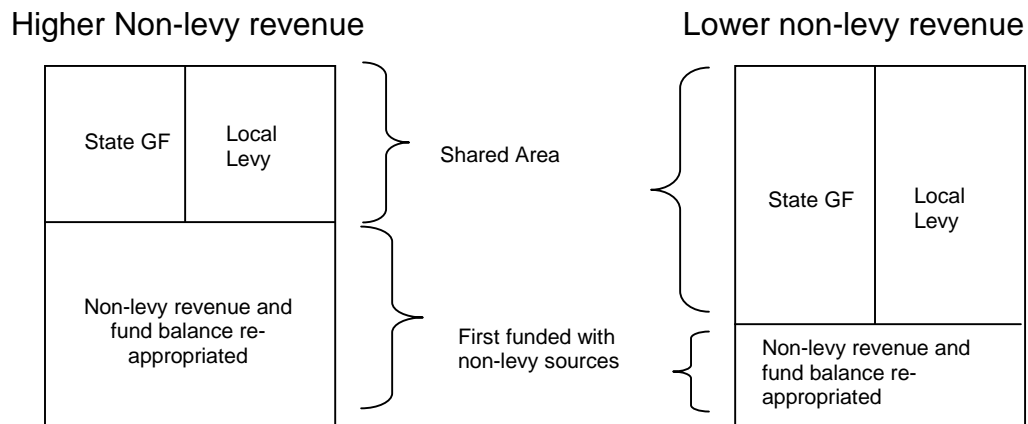
- Taxpayer Equity In terms of the taxpayer equity issue, the Council focused its inquiry on the district general fund BASE budget. More particularly, the Council focused on the variation in the range of mills required to fully fund the "Guaranteed Tax Base" (GTB) budget of school districts across the state. The information presented to and reviewed by the Council indicated that there are ***two (2) primary reasons*** for that variation.

***Reason No. 1:*** The first reason relates to differences in the portion of the GTB budget area that is "shared". This "shared area" is the area of the budget that is funded by both local mills and state subsidy. The percentage that "shared area" bears to the entire GTB budget can be referred to as the "shared percentage".

With that in mind, the greater the portion of the GTB budget that must be funded with a levy, the greater the tax equity. Graphic 1 below demonstrates how a reduction in non-levy revenue creates a greater percentage of the GTB budget funded with mills, or a greater "shared percentage". On the other hand, if a district has a significant portion of its budget funded with either non-levy revenue or fund balance re-appropriated, the number of mills required to be levied is lower and in some cases, zero.

As also demonstrated in Graphic 1, if the "shared area" is smaller, the local levy and state contribution will be smaller. Likewise, the larger the "shared area", the larger the local levy and state contribution.

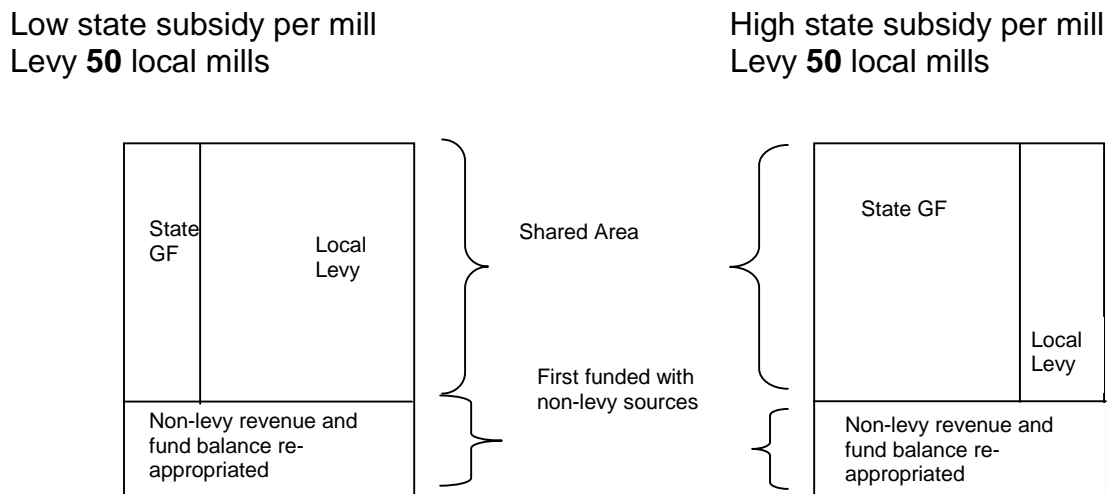
**Graphic 1** – Comparing higher and lower non-levy revenue and fund balance re-appropriated



**Reason No. 2.** The second key reason behind the variation in the range of mills required to fully fund the GTB budget of school districts across the state concerns the taxable value of each district. If the taxable value of a district is higher than the "state guarantee level", then the district will need to levy fewer mills than most districts in order to fully fund the GTB budget.

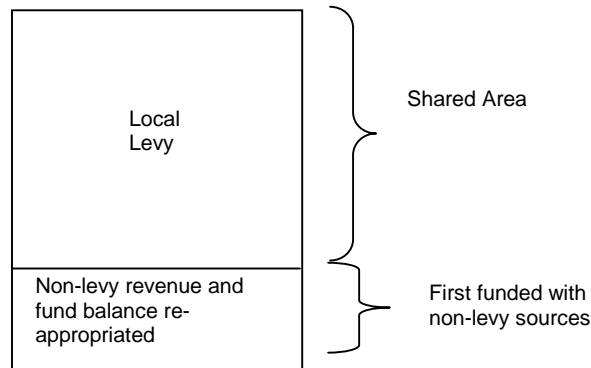
Although each district has a different "split", on a statewide average the "shared area" described above is divided 50% state and 50% local. Districts with relatively high taxable values will have a relatively low state share (e.g. 25% state and 75% local). Districts with relatively low taxable values will have a relatively high state share (e.g. 75% state and 25% local). Graphic 2 below illustrates this situation.

**Graphic 2** – Comparing higher and lower state contribution rates for each mill levied





No state subsidy per mill  
Levy **20** local mills



Note - The example to the left has no state revenue supporting the GTB area of the budget. This district would have a very large taxable value relative to its GTB area and would not qualify for GTB aid. Due to the very high taxable value, the local levy is less than the districts with state GTB aid.

In addition to examining the reasons outlined above as to "why" variations exist, the Council also examined the degree of variation and possible mechanisms for reducing the variation. For purposes of that inquiry, the Council focused on the concept of "combined BASE mills". From a taxpayer perspective, the sum of both high school BASE mills and elementary BASE mills is the "combined BASE mills".

Since elementary district boundaries can (and do) cross high school district boundaries and vice-versa, there are 405 unique combinations of elementary and high school districts. Among those 405 unique "combinations", the estimated range of the variation in "combined BASE mills" for FY 2002 is zero to 99.2. The "District Model" column on Table 1 below shows the distribution in the number of "combined BASE mills"

After examining the degree of variation and the reasons for that variation, the Council considered possible mechanisms for reducing the variation and improving taxpayer equity. While the Council discussed the concept of a statewide mill levy to fund the BASE budgets for all districts, it ultimately concluded that the use of a countywide BASE budget levy was a more preferable option. This countywide levy would be applied against the taxable valuation of the county and would replace the BASE budget levies of the individual school districts. In other words, the GTB budget areas of all the districts in the county would be combined and funded with a single countywide levy.

In making its recommendation for countywide equalization, the Council also made several "assumptions" or additional recommendations: Those additional recommendations are as follows:

- 1) The HB 124 block grants currently going to district BASE budgets (approximately \$43.6 million) will go to the county for funding the local share of the BASE budget.

- 2) The district retains fund balance re-appropriated and uses it in the above BASE area to reduce local mills. Fund balance re-appropriated that is applied to the districts BASE budgets is approximately \$10 million per year.
- 3) The district retains non-levy revenue generated by the district, such as interest, lease rental, and penalty and interest received by the district and uses it in the above BASE area to reduce local mills. It is estimated that the combination of these sources is \$6 million per year.
- 4) Remaining non-levy revenue sources currently distributed by the county to the schools would remain at the county for funding the district BASE budgets.
- 5) The combination of the first three assumptions increases the area shared by local levies and state general fund in the below BASE area by approximately \$16 million.

The Council recognized and understood that the greatest level of equalization would be achieved if the district general fund portion of the House Bill 124 block grants were rolled into the GTB formula and distribution. However, as noted above, the Council recommends that the HB 124 block grants for the district general fund be applied to reduce the countywide BASE budget levy.

The impact of a countywide equalization model is demonstrated by the "County Model" column on Table 1 on the following page. The Table demonstrates the impact of countywide equalization only and does not include other recommendations. It should also be noted that the district and the county mill levies are based on projections of FY 2002 levies --- the actual levies were not available at the time the chart was developed. At a minimum, however, the graphic demonstrates the "grouping" effect of a countywide BASE levy model.

**County Equalization of BASE Mills with GTB at 225%  
Compared with Current Law - FY 2002**

Table 1

Consolidated Elementary & High School Mills				
Combined mills	District Model	Percent Of Total	County Model	Percent Of Total
0 to 10 group	13	3.2%	0	0.0%
10's group	15	3.7%	2	0.5%
20's group	35	8.6%	6	1.5%
30's group	43	10.6%	0	0.0%
40's group	60	14.8%	5	1.2%
50's group	43	10.6%	34	8.4%
60's group	73	18.0%	201	49.6%
70's group	89	22.0%	157	38.8%
80's group	27	6.7%	0	0.0%
90's group	7	1.7%	0	0.0%
100's group	0	0.0%	0	0.0%
Total Elem Districts	405	100.0%	405	100.0%
Maximum Mills	99.3		74.7	
Minimum Mills	-		18.3	

Finally, the Council's recommendation for a countywide BASE levy also contemplates the use of a weighted GTB formula. Thus, the state aid would be guaranteed to a level of taxable value compared to BASE budget instead of a taxable value per ANB. In other words, a weighted GTB formula guarantees a higher level of property tax revenue per student in a small school district than in a large one.

The analysis presented to the Council showed that the weighted GTB formula does a better job of narrowing the disequalization in county levies than the un-weighted GTB formula. However, the Council also felt that this particular issue should be looked at more closely by the Interim Committee as well to ensure that the effects of using weighted GTB would in fact be as envisioned by the Council.

- House Bill 124 Block Grants As noted above, the Council viewed its "tax equity" study category as including both the HB 625 "tax effort" section addressed above as well as the charge in HB 124 to review the block grants embodied in that particular legislation. More specifically, the language in HB 124 asked for "recommendations for retaining or repealing the [block grants]".

By way of background, there are three school block grants in HB124: (1) the school district block grants, (2) the countywide retirement block grants and (3) the countywide transportation block grants. Under HB124, five revenue sources are retained at the state and then replaced with a single payment to the school

districts for each type of block grant. The two major revenue sources retained are motor vehicle revenue and previous tax reimbursements in SB184. Table 2 below shows the revenue sources and the growth rate for the school block grants.

**Comparison of Current Law Revenue Flow & HB124 School Block Grants**

Table 2

Revenue Sources			
Revenue sources (in millions)	FY 2002	FY 2003	2003 Biennium Total
SB184 Reimbursements	\$ 24.07	\$ 24.07	\$ 48.14
Motor Vehicles - All Other	\$ 29.02	\$ 29.46	\$ 58.48
Financial Institutions Tax	\$ 3.45	\$ 3.45	\$ 6.91
DNRC - Payment in Lieu of Tax	\$ 0.34	\$ 0.34	\$ 0.67
State Aeronautics Fee	\$ 0.10	\$ 0.10	\$ 0.19
Change in Current Law Revenue	\$ 56.98	\$ 57.41	\$ 114.39
HB124 Block Grant	\$ 56.98	\$ 57.41	\$ 114.39
<b>Difference</b>	\$ 0.00	\$ 0.00	\$ 0.00
Annual Growth Rates			
Revenue Sources	FY 2002	FY 2003	
SB184 Reimbursements	0.00%	0.00%	
Motor Vehicles - All Other	1.50%	1.50%	
Financial Institutions Tax	0.00%	0.00%	
DNRC - Payment in Lieu of Tax	0.00%	0.00%	
State Aeronautics Fee	0.00%	0.00%	
Change in Current Law Revenue	0.76%	0.76%	
HB124 Block Grant	0.76%	0.76%	
<b>Difference</b>	0.00%	0.00%	

The school block grant covers all school budgets that have property tax, excluding the countywide retirement and transportation programs. Of the \$57 million dollar block grant, \$24 million or 42% is from tax reimbursements, and \$29 million or 51% is from motor vehicle revenue. The other \$4 million is Financial Institution Corporate License Tax, Payments in Lieu of Taxes (PILT) made by the Department of Natural Resources and Conservation, and state aeronautics fees. HB124 continues the current rate of growth for fiscal 2002 and 2003 for the school block grants. As indicated, the overall rate of growth for these funds is 0.76%.

As envisioned by the Local Government Funding and Structure Committee, the block grants are intended to redistribute the de-earmarked revenue to schools through a two-year reimbursement program, similar to that provided in SB184. In light of testimony that an interim study of school funding would be pursued, the Committee determined that it would not be appropriate for it to recommend drastic changes in the existing funding formula. Rather, the Committee decided to simply establish block grant reimbursements which sunset at the end of fiscal year 2003 and to have those block grants examined as part of a larger study of school funding. As anticipated by the Committee, the 57th Legislature did in fact require an interim study of school funding and expressly directed that the study include recommendations for retaining or repealing the block grants.

In order to make those recommendations, the Council studied and discussed the issue of "why" the block grants should or should not be modified. The information presented to the Council suggested that, while they may be an effective means of preserving the status quo, the block grants were not considered to be an appropriate long-term method of distributing the funds to schools. At least three concerns in that regard were discussed:

- 1) Property is not static. The property value may leave a district, yet the reimbursements for that property will not decrease. New property may be added to another district and no additional reimbursement will be allocated to that district. The distribution of property changes slowly, so over time the distortion becomes a bigger issue than it is currently.
- 2) The method of distribution of state resources is not done with the equity of school funding as a consideration.
- 3) Historical trend of block grants getting phased out or otherwise eliminated by the Legislature.

Table 3 on the following page summarizes the equity concern in terms of the district general fund budgets, which receive \$43.6 of the \$70 million in block grants.

### Anticipated Distribution of HB 124 Block Grants

Table 3

Percentile range	Elementary District		High School District	
	Average TV/ANB	Average block grant/ANB	Average TV/ANB	Average block grant/ANB
zero to 10	5,867	114	11,376	109
10 to 20	10,277	249	21,372	202
20 to 30	13,255	262	24,250	296
30 to 40	15,907	280	28,766	291
40 to 50	20,176	309	33,846	311
50 to 60	25,663	412	40,331	464
60 to 70	33,686	508	46,895	415
70 to 80	50,523	499	58,939	678
80 to 90	80,374	515	76,944	533
90 to 100	251,084	722	123,135	701

Table 3 is divided into 10 percentile ranges of districts -- since there are 337 elementary or combined districts, there approximately 34 districts in each percentile group. Likewise, there are 165 high school or combined districts and thus 16 to 17 districts in each 10-percentile group. The percentile range is a ranking of taxable values per ANB. Districts are sorted from lowest to highest taxable values (TV) per average number belonging (ANB). The 34 elementary districts in the first 10-percentile have taxable values ranging from \$134 per ANB to \$8,764 per ANB with an average of \$5,867. This first percentile group has an average block grant of \$114 per ANB. The highest elementary percentile group has an average taxable value of \$251,084 per ANB and a block grant of \$722 per ANB.

The Table demonstrates that the average reimbursement increases as the average taxable value per student increases. In other words, the districts disadvantaged by low taxable values are further disadvantaged by smaller reimbursements.

Within the range of districts that receive Guaranteed Tax Base (GTB) aid, GTB partially offsets this effect. When a district receives a higher level of non-levy revenue the amount of the district general fund budget that is eligible for GTB aid is reduced by the same amount and the district will qualify for less GTB aid. Districts that receive less non-levy revenue have a larger portion of their budget eligible for GTB aid and receive more state revenue as a result. 64% of elementary districts and 88% of high school districts receive GTB aid.

Other school funds such as the countywide retirement and transportation funds and all other school district levies would have similar disparities in the distribution

of funds. Those disparities would not, however, likely be as dramatic, given the automatic "equalization" that occurs when you combine districts of varying tax wealth within a county.

Table 4 below outlines the estimated amount of HB 124 block grants distributed to each school fund.

<b>Estimated HB124 Block Grants</b>	
Table 4	
Fund	Block Grant
<u>School district mill levies</u>	
General fund	\$43.6
Debt Service	4.6
Building Reserve	2.4
Bus Depreciation	1.2
District Transportation	4.3
Adult Education and Tuition	0.8
<u>County mill levies</u>	
County Retirement	\$11.0
County Transportation	1.8
<u>Total</u>	<u>\$69.7</u>

After reviewing and discussing the information outlined above, the Council determined that it would make recommendations concerning the various components of the HB 124 block grants. In terms of the general fund block grant component (\$43.6 million), the Council considered various options for redistribution, including possible use for funding enrollment averaging or funding an increased level of GTB aid. As outlined above, however, the Council recommends that this portion of the HB 124 block grants be used to reduce the recommended countywide BASE budget levy.

In terms of the debt service block grant component (\$4.6 million), the Council recommends that it be redirected into school facility payments. Under current law, only low wealth districts that sold general obligation bonds after July 1, 1991 are eligible for school facility payments. The Council recommends that all low wealth districts with outstanding general obligation debt be eligible for school facility payments. Any remaining balance of this block grant component would be used to increase the percentage used to calculate the statewide mill value as defined in 20-9-366, MCA.

As outlined in the "units of funding" section above, the Council also recommends that the transportation block grant component (both county and district) be redistributed. That redistribution should take the form of increased state transportation reimbursements to fund the Council's recommendations

concerning transportation funding in general, with any remaining funds being applied toward increasing the state share of the "on schedule" costs.

In terms of the retirement block grant component, the Council recommends combining elementary and high school portions of each county's HB 124 block grant for retirement. The block grants would then be used to reduce the property tax requirement for the county retirement/insurance fund recommended by the Council in its "unit of funding" recommendations above.

Finally, in terms of the remaining HB 124 block grant components (adult education, tuition, building reserve, bus depreciation and technology acquisition), the Council recommends that they be combined in the form of an "unrestricted block grant", with school district trustees given authority to determine where to allocate these non-levy revenues among the budgeted funds of the district.

### **(3) Reports and References**

[Local Tax Effort](#), Dan Dodds, Department of Revenue

[Dist. of HB124 Block Grants](#), Amy Carlson, Governor's Office

[The Effects on Local School Levies of Grouping School Districts \(PDF\)](#), and [Appendix to Report 4](#), Dan Dodds, Department of Revenue

[HB 124 Block Grants for Schools](#), Judy Paynter, Department of Revenue

[Statewide Uniform BASE Levy](#), Dan Dodds, Department of Revenue

[HB 124 Tax Equity](#), Amy Carlson, Governor's Office

[Guaranteed Tax Base Aid for Over-BASE Spending](#), Dan Dodds, Department of Revenue

[Redistribution of HB 124 Block Grants](#), Amy Carlson, Governor's Office

[Countywide Equalization of BASE Levies](#), Amy Carlson, Governor's Office and Jim Standaert, LFD



## **C. GOVERNANCE**

### **(1) HB 625 Sections**

Again, acknowledging the "spill over" of certain issues between the three organizational categories, the Council focused its "governance" inquiries on the following portions of HB 625:

- (c) determining if a statewide salary schedule for school staff is possible under the constitutional provision for trustee management of school districts;
- (d) determining if the current budget computations are prohibiting or discouraging local decisions to consolidate school districts;
- (i) analyzing the relationship between increasing staffing levels in the classroom in the face of declining enrollment and the resulting financial impacts to the school districts and the state;
- (j) analyzing appropriate means for school districts to calculate ANB regarding nontraditional, part-time or distance-learning students; and
- (l) analyzing the school district structure that currently exists and determining if reducing the number of districts could provide efficiency in the operations of the districts and make existing resources available for classroom activities.

It became clear to the Council early on that its limited time and resources would require prioritization of its efforts. In general terms, the Council placed the highest priorities on issues in the "Units of Funding" and "Tax Equity" categories and focused its limited time and resources most closely on those areas. Consequently, the Council generally placed a lower priority on attempting to address those HB 625 sections that fall within this "Governance" category.

### **(2) Council Activity**

In addressing those components of HB 625 that the Council characterized as "governance" issues, the Council engaged in the following analysis, discussion and decision-making.

- Statewide Salary Schedule -- This component of HB 625 seeks a legal opinion concerning the effect of a Montana constitutional provision on the concept of a statewide teacher salary schedule. Article X, Section 8 of the Montana Constitution provides that "[t]he supervision and control of schools in

each school district shall be vested in a board of trustees to be elected as provided by law". At present, teacher salaries are established at the local school district level, and there is no state involvement in setting those salaries.

The Council discussed this issue and solicited input from the primary stakeholders affected by the issue (i.e., MSBA and MEA/MFT). After consideration of that information and discussion, the Council determined that the constitutional provision for trustee management of school districts most likely would not, in and of itself, serve as an absolute bar to the possible adoption of a statewide salary schedule. It is clear, however, that the affected stakeholders view the constitutional permissibility of any statewide salary schedule structure as highly dependent upon the structure of that schedule. For example, to the extent that the state might bear responsibility for funding such a schedule, the constitutional issue was not viewed as being particularly significant. On the other hand, any schedule that arguably involved an "unfunded mandate" was viewed as posing constitutional concerns.

- Average Number Belonging (ANB) / Distance Learning -- Under present law, the concept of ANB is the primary "driver" of a school's general fund budget and centers on "regularly enrolled full-time pupils". See § 20-9-311, MCA. The law also contemplates, however, a distinction between "part-time enrolled" and "full-time enrolled" for purposes of ANB calculations. See § 10.2.102(7), ARM. The Council assumes that this item of inquiry under HB 625 relates to concerns over applying traditional concepts of ANB to a changing education environment, i.e., one that may involve students availing themselves of only part of a school's educational offerings or students engaged in distance learning activities.

While the Council engaged in discussions concerning "part-time" or "non-traditional" students, it was unable to conclude that the existing means for calculating ANB were or were not "appropriate". The state does not collect data on "part-time" students in a fashion that lends itself readily to analysis, either in terms of actual numbers of students involved or in terms of whether or not the current method of calculating ANB creates problems. Based on its discussion of this issue, however, it was the sense of the Council that this was not a particularly "pressing" issue at this time.

Apart from the issue of "part-time" or "nontraditional" students, the Council also discussed the specific issue of calculating ANB for distance learning students. The Council expressly recognized that the Board of Public Education has promulgated an administrative rule relating to distance learning (§ 10.55.907, ARM) and will be pursuing distance learning as an "initiative" area in the near future.

The Council also reviewed Senate Bill 231 from the last session, which provided for an alternative method of calculating ANB for distance learning students. In

essence, SB 231 added a category of students, beyond the traditional "regularly enrolled full-time pupil", for students who, physically present or not, were provided with the electronic delivery of educational programming. The legislation also provided limits in terms of residency requirements and ensuring that pupils could be counted only once for ANB purposes.

Based on its discussions, the Council recognized the need for Montana to begin making adjustments to accommodate and even encourage greater and more effective utilization of distance learning technologies. Recognizing that this area is an area of initiative for the Board of Public and, based on its understanding that the reason for SB 231's failure last session was fiscal rather than structural, the Council concluded that SB 231 would provide an appropriate model for further discussion of modifying the method of ANB calculation for distance-learning situations.

- Increasing Staffing Levels -- The Council assumed that this inquiry item was related to data that was circulated and discussed during the 2001 Session concerning a trend of declining overall student enrollment and static or increasing staff levels. For example, that data indicates that between 1995 and 2000, the number of "teachers" increased from 10,079 to 10,300. During that same time period, the number of students decreased from approximately 164,000 to 157,000. Thus, the "relationship" referred to in HB 625 involves approximately 225 more "teachers" for approximately 7000 fewer students over a 5 year period. (See OPI Profile; LFD Training Materials 1/08/01).

In terms of analyzing that relationship, the data reviewed by the Council indicated that most of the recent increases in staffing came in the areas of special education, Title I and applied technology. Areas such as Elementary, English, mathematics, science, social studies and vocational education, on the other hand, have seen decreases.

Teaching Assignments by Subject Area, 1996-97 and 1998-99

Full-Time Equivalent Staff			
Assignments	96-97	98-99	Difference
Elementary Self-Contained	3,863	3,816	-47
Special Education	735	825	90
English	848	818	-30
Mathematics	668	633	-35
Science	627	606	-21
Health Enhancement	575	598	23
Social Studies	589	570	-19
Music	394	425	31
Title I	351	403	52
Applied Technology	252	291	39
Art	247	262	15
World Languages	201	208	7
Business & Related	212	184	-28
Other Vocational Ed	232	171	-61
Computer Education	115	132	17
Gifted and Talented	49	56	7
Other Areas	321	308	-13

<b>Total</b>	<b>10,279</b>	<b>10,306</b>	<b>27</b>
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Source of Data: Montana Statewide Education Profile, Office of Public Instruction, May 2001, page 55.

Based on its discussions and analysis of the data, the Council concluded that at least part of the "relationship" referred to in HB 625 is attributable to the following factors:

- ✓ Increased numbers of students identified as eligible for special education and/or services; and
- ✓ Increased funding from the federal government in connection with a Reduced Class Size Initiative.
- School District Structure -- The Council, in essence, viewed subsections (d) and (l) of HB 625 as inquiries related to the broader issue of school consolidation. There are presently 448 operating school districts in Montana, compared to 528 ten years ago. (See OPI Profile) There have been and continue to be discussions concerning whether or not that number should be reduced.

With respect to item (d) in HB 625, the Council attempted to undertake an inquiry as to whether or not our current funding structure contains **disincentives** for local school districts to consolidate when that is the course of action they wish to take. With respect to item (l), the Council has viewed that as a broader inquiry

into the relative policy wisdom (or lack thereof) of actively seeking to reduce the number of school districts.

In response to both issues, the Council appointed a working group at its September 4th meeting to provide an assessment and recommendations on these issues to the full Council. That group then compiled information relating to these issues and provided it to the full Council for consideration. In general terms, that information addressed the following:

- the addition of structural "incentives" or the removal of structural "disincentives", such as extended receipt of the basic entitlement, non-profit corporations to maintain a closed school as a community center, and statutory prohibitions on the creation of new districts where such creation may be a necessary component of a consolidation effort;
- past reports (i.e. SEEDS) and past experiences (i.e., Ravalli and Missoula County) involving consolidation efforts or ideas;
- the expanded use of distance learning technologies or cooperative ventures such as consortiums (particularly in the area of grant writing) as mechanisms for improving the efficiency of the education delivery system in rural areas.

After review of this information and discussion of the issues, the Council was unable to find any clear data or information to suggest that a reduction in the number of districts would, as a broad and general proposition, automatically result in substantial cost savings or efficiencies in the delivery of educational services. While there may be individual instances where that might be the case, the information reviewed did not suggest that it would be the case in every instance.

The Council also concluded that there were not any components in the present school funding system that served as obvious "disincentives" to consolidation in those cases where sought by the local communities. As examples, the Council reviewed those provisions of law relating to (1) extended receipt of the basic entitlement amounts following consolidation [§ 20-9-311(8)(iv), MCA] and (2) the moratorium on the creation of new school districts [§§ 20-6-104 and 704, MCA]. Based on its review, the Council did not believe that the moratorium provisions would act to prevent consolidation of elementary programs out of two K-12 districts. The Council also felt that, while it may be an item for further discussion, there was no clear basis for concluding that the 6-year graduated receipt of the basic entitlement was not an appropriate mechanism for facilitating consolidation in those instances where sought by local citizens.

The Council also reviewed documentary research relating to prior inquiries in this area and to specific instances of consolidation in Montana. Specifically, the Council reviewed information gathered in connection with the proposed "consolidation" of most of the elementary districts in Missoula County. While not a scientific study, the information suggested that, while certain cost savings might accrue to the state, there would likely be increased costs to the local taxpayer. The Council also reviewed the final recommendations of Governor Racicot's 1994 "Task Force to Renew Montana Government", which specifically reviewed the issue of "school district reorganization". While that Task Force did recommend that the issue of school district consolidation be put to a local vote every five years, it also reached a conclusion similar to that reached in the Missoula study, i.e., no substantial cost savings and a transfer of costs from state to local government.

Finally, the Council also reviewed the "School Reorganization in Montana -- A Time for Decision?" report prepared in 1993 by "Project SEEDS", which was headed by former Governor Schwinden. Of the information reviewed by the Council, the "Project SEEDS" report involved the most ambitious attempt to gather financial data related to actual consolidations in Montana. After reviewing the "High Line" consolidations in the early 1980's (Kremlin-Gildford, Joplin-Inverness, Hingham-Rudyard) as well as the Wilsall-Clyde Park consolidation, the report generally concluded that:

"The six examples of school district consolidations that were studied provide little evidence to support the contention that consolidation is an effective way to reduce school costs. However, educational professionals . . . contacted were in near unanimous agreement that consolidation can result in program improvement".

After review and discussion of the above-referenced information, it was the consensus of the Council that, as a matter of policy, efforts should be made to encourage consolidation in the delivery of educational services where it would result in educational benefits to the students. Possible areas of further inquiry that hold promise in that regard include expanded use of distance learning technologies, expanded use of cooperative arrangements and consortium arrangements between districts for administrative and educational delivery purposes, etc.

### **(3) Reports and References**

*Montana Statewide Education Profile*, 2nd. Ed. (OPI)

*A Consolidation Model for K-12 Consolidation Within Missoula County*, George Bailey, et al. (1994)

*Governor's Task Force to Renew Montana Government, (1994)*

*School Reorganization in Montana -- A Time for Decision?, Project SEEDS (Draft) (1993)*

[Report from Working Group on Consolidation](#)

#### **D. GOVERNOR'S TASK FORCE RE: TEACHER SHORTAGE / SALARIES**

While it was not an item expressly listed in HB 625, the Council felt that the issues of teacher shortages and teacher salaries were ones that "affect the equity of school funding in Montana" for purposes of the "catch-all" section of the bill. While the Council did not have the time or resources to delve deeply into these issues, the Council felt strongly that the recommendations developed by Governor Racicot's Task Force on this issue be again considered for the 2003 Legislative Session. Copies of that Task Force Report can be obtained at the Governor's Office or at

[www.discoveringmontana.com/budget/Ed\\_Committee.TEACHERFINAL.pdf](http://www.discoveringmontana.com/budget/Ed_Committee.TEACHERFINAL.pdf).

#### **E. ADEQUACY STUDY**

As noted at the outset, the Council had the opportunity to hear formal presentations from experts in the realm of school finance (i.e., John Augenblick and Michael Griffith), as well as the opportunity to informally discuss matters with another expert (i.e., Richard Rothstein). While those opportunities were relatively brief, they were extremely valuable to the Council in terms of better understanding how Montana's funding structure and problems compare with other states.

During the study process, it became abundantly clear that concerns regarding the "adequacy" of Montana's school funding system lay at the root of many of the issues outlined in HB 625. The Council had a number of discussions regarding the adequacy of funding for Montana's K-12 public schools. These discussions addressed the overall level of funding, the state's share of the funding, local tax burdens, special education funding, the allocation of funding among various size school districts and among elementary, middle school and high school programs, and concerns about recruiting and retaining teachers. Those discussions, combined with the information provided by the school finance experts, served to stimulate further discussion among the Council as to the potential applicability of "adequacy study" concepts here in Montana.

Within the time and resources allocated for its work, the Council was unable to address "adequacy" issues in a comprehensive manner. After discussion, however, the Council concluded that an adequacy study would have several benefits, including the promotion of dialogue among Montanans as to what they

want and expect from their public school system and a better understanding of the costs associated providing those services. The Council reached no conclusions concerning the specifics of how such a study might be conducted, or how it might be funded, but felt that it should involve the broadest range of stakeholders possible and a pooling of resources from as many sources as possible.

**Appendices:**

[Fund Structure Working Group Report](#)

[Transportation funding revision HB 163](#)

[Teacher Shortages/Teacher Salaries](#)